



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

May 22, 2018

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, Second Floor
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v.
Suez Water Pennsylvania, Inc.
Docket No. R-2018-3000834

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E)
Prehearing Memorandum in the above captioned proceeding.

Copies are being served on parties as identified in the attached certificate of
service. If you have any questions, please contact me a (717) 425-7593.

Sincerely,

Scott B. Granger
Prosecutor

Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

SBG/sea
Enclosure

cc: Certificate of Service
ALJ David A. Salapa

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2018-3000834
 :
 Suez Water Pennsylvania, Inc. :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated May 22, 2018, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via Electronic and First Class Mail

David P. Zambito, Esquire
Jonathan P. Nase, Esquire
Cozen & O'Connor
17 North Second Street, Suite 1410
Harrisburg, PA 17101

John R. Evans
Office of Small Business Advocate
300 North Second Street
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Erin L. Gannon, Esquire
Christy M. Appleby, Esquire
Barrett C. Sheridan, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923



Scott B. Granger
Prosecutor

Bureau of Investigation and Enforcement
PA Attorney I.D. No. 63641

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : R-2018-3000834
 :
 SUEZ Water Pennsylvania, Inc. :
 Base Rates :

PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT

TO: ADMINISTRATIVE LAW JUDGE DAVID A. SALAPA:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned consolidated proceedings.

The Bureau of Investigation and Enforcement Prosecutor in these proceedings will be Scott B. Granger. Contact information is as follows:

By mail: Scott B. Granger
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

By e-mail: sgranger@pa.gov
By telephone: (717) 425-7593
By fax: (717) 772-2677

I. INTRODUCTION

On April 30, 2018 SUEZ Water Pennsylvania, Inc. (“SWPA” or “Company”) filed its proposed Supplement No. 53 to Tariff Water-PA. P.U.C. No. 7 (“Supplement 53”) with a proposed effective date of June 29, 2018. SWPA proposes, in Supplement 53, an increase in rates designed to produce an increase in base rate revenues of approximately \$6.2 million per year. SWPA also noted the \$6.2 million increase does not include the current surcharges assess to customers.

SWPA asserts the proposed \$6.2 million increase in base rates will allow SWPA to recover costs associated with recent capital investments across its eight-county service area. Also, SWPA offers that the \$6.2 million proposed increase is in addition to the revenues generated by current rates and charges assessed to the customer as of the date of the filing. Finally, SWPA alleges if the Company’s entire request is approved, the total bill for a residential customer using an average of 3,500 gallons of water per month would increase from \$43.94 to \$48.85 or by 11.2 percent. This equates to an approximate increase of \$4.91 per month or 16 cents per day. The cost of tap water, according to SWPA, would remain at about one penny per gallon for a typical family or most small businesses.

I&E filed its Notice of Appearance regarding this proceeding on May 4, 2018.

The Office of Consumer Advocate (“OCA”) filed a Formal Complaint regarding the SWPA filing at Docket No. C-2018-3001786 on May 10, 2018.

On May 17, 2018, the Commission entered an Order suspending the implementation of proposed Supplement No. 53 to Tariff - Water - PA. P.U.C. No. 7 by

operation of law until January 29, 2019, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Supplement No. 53.

A prehearing conference is scheduled for Friday, May 25, 2018 at 10:00 a.m. in Harrisburg, Hearing Room 2, before Administrative Law Judge David A. Salapa.

II. ISSUES

The following list represents I&E's preliminary determination of the potential issues in these proceedings. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. The issues are as follows:

- Overall Rate of Return
- Cost of Debt
- Cost of Equity
- Management Performance
- Capital Structure
- Tax Cut and Jobs Act (TCJA)
- Labor Expense
- Employee Group Health and Life
- Employee Pension Benefits
- Employee Post Retirement Benefits
- Other Employee Benefits
- Purchased Water
- Purchased Power
- Fuel for Production
- Chemicals
- Materials and Supplies
- Management and Service Fees
- Lab Testing Fee
- Outside Contractors
- Outside Professional Services
- Rental – Building/Real Property

- Rental of Equipment
- Transportation Expense
- Property and General Liability Insurance
- Worker Compensation
- Advertising
- Rate Case Expense
- Regulatory Commission Expense
- Bad Debt Expense
- Fringe Benefit Expense
- Other O&M
- Cash Working Capital
- Act 40 Requirements
- Income Taxes
- Taxes Other Than Income Taxes
- Depreciation Expense
- Plant in Service
- Depreciation Reserve
- Annual Depreciation Expense
- Plant Held for Future Use
- Cost of Service
- Revenue Allocation
- Rate Structure
- Rate Design
- Customer Charges / Customer Cost Analysis
- Customer Count Projections
- Usage per Customer Projections
- Use of Fully Projected Future Test Year
- Forfeited Discounts
- Miscellaneous Service Revenue
- Other Operating Revenue
- Late Payment Revenue
- Present Rate Revenue
- Lost and Unaccounted for Water
- Materials and Supplies

III. WITNESSES

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

Dusyant (D.C.) Patel, Fixed Utility Financial Analyst
Brenton Grab, Fixed Utility Financial Analyst
Ethan Cline, Fixed Utility Valuation Engineer
Christine S. Wilson, Fixed Utility Financial Supervisor
Joseph Kubas, Fixed Utility Engineer Supervisor

The I&E witnesses may be contacted through the information listed above for Prosecutor Granger. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of the witnesses listed above.

IV. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, supplemental testimony, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

V. DISCOVERY

Discovery in these proceedings will be conducted according to 52 Pa. Code §§5.321 et. seq. No modifications to the rules of discovery have been proposed by I&E.

I&E will give due consideration to any discovery modifications proposed by any other party. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing.

VI. SCHEDULE

I&E is working with the parties to develop a schedule in this proceeding. I&E understands that the parties have not yet agreed to a schedule but hope to have an agreed to schedule by the date and time of the prehearing conference.

Filing w/ Company Direct	April 30, 2018
Other Parties Direct	
Rebuttal Testimony	
Surrebuttal Testimony	
Oral Rejoinder Outlines	
Hearings (including Oral Rejoinder)	
Main Brief	
Reply Brief	October 10, 2018

VII. PUBLIC INPUT HEARINGS

I&E is not aware of any requests or consumer interest with respect to public input hearings. I&E does not propose that any public input hearings be held absent substantial public interest in the Company filing. I&E, however, will not oppose holding public input hearings if proposed by another party. Should public input hearings be deemed necessary, I&E recommends the Commission consider the use of “smart hearings.”

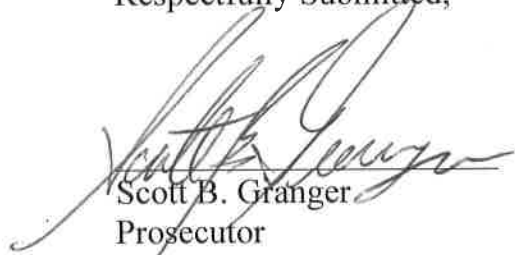
VIII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first-class mail.

IX. SETTLEMENT

I&E is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney I.D. # 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: May 22, 2018